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ABSTRACT

This guide is designed to assist independent auditors in conducting audits of the operations of the Summer Food Service for Children. The summer program provides nutritional help to children who would otherwise be deprived of food assistance received at other times of the year under the National School Lunch and Breakfast Programs. During the summer months, public and private nonprofit sponsors organize and operate food assistance sites. These sites are established to benefit areas in which at least one-third of the children are eligible for free or reduced-price school meals under the state's family-size income standards. Federal regulations require that each sponsor whose total claim exceeds $50,000 secure an audit by an independent certified public accountant or state or local government auditor. This guide is not intended to be a substitute for the program regulations and handbooks listed but is presented to assist in evaluating the sponsor's claim for reimbursement. (Author/MLF)

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AUDIT GUIDE

for the Summer Food Service Program for Children

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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P R E F A C E

The audit guide has been revised to incorporate changes in the Summer Food Service Program Regulations and audit standards and procedures prescribed by the Office of Audit, USDA. This revised guide was prepared with participation of representatives of the Food and Nutrition Service and the Office of Audit.

The State agency and the Food and Nutrition Service will use the audits required under this program as a basis for reimbursement to sponsors of program costs. We are, therefore, relying on the professional integrity and competence of the auditor to attest to the propriety of the amount of reimbursement due a sponsor.

Users of this guide should be aware of the requirements herein and must exercise care to adhere to such requirements. Reimbursements to sponsors may be delayed or withheld if the audits made under the program do not meet the requirements of this guide.

Comments and suggestions for improvement of this guide are encouraged.

NOTE: All reference to Office of Audit (OA) in this guide are now the audit functions of the Office of the Inspector General (OIG).

for Robert W Bentley

LEONARD H. GREESS
Director of Audit
Office of the Inspector General, USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDIT
WASHINGTON, D. C. 20250
AUDIT GUIDE 8270.6

GUIDE FOR AUDITING SPONSORS OF THE SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

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GUIDE FOR AUDITING SPONSORS OF THE
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

1. PURPOSE. This guide is designed to assist independent auditors in conducting audits of the operations of the Summer Food Service for Children. Federal regulations require that each sponsor whose total claim exceeds $50,000 secure an audit by an independent certified public accountant or State or local government auditor. Auditors of the State administering agency and local government auditors must be independent of the sponsor in order to make audits of this program.

This guide is not intended to be a substitute for the program regulations and handbooks listed in section 5, but is presented to assist in evaluating the sponsor's claim for reimbursement. Since no single audit program can meet all needs, specific audit procedures cannot be prescribed to cover every situation which may occur. Therefore, in order to meet the audit objective established in this guide, the auditor may judge it necessary to take audit steps beyond those prescribed to provide sufficient evidence so that the required reports may be issued.

2. APPLICABILITY. This guide applies to all certified public accountants and State and local government auditors conducting audits of sponsors of the Summer Food Service Program for Children. Auditors should be aware that, under Federal regulations, State agencies are responsible for providing audit guidelines to sponsors. Auditors should determine whether or not the State agency has issued any supplemental audit information or requirements to sponsors. The audit guidance developed by State agencies shall, as a minimum, contain the audit procedures set forth in this guide.

3. BACKGROUND. The Summer Program provides nutritional help to children who would otherwise be deprived of food assistance such as they get at other times of the year under the National School Lunch and Breakfast Programs.

During the summer months, public and private non-profit sponsors organize and operate food assistance sites. These sites are established to benefit areas in which at least one-third of the children are eligible for free or reduced-price school meals under the State's family-size income standards.

Sponsors may be city government agencies, county and municipal school systems, recreation groups, residential summer camps, day camps, churches, and social service organizations. Camps will be reimbursed for only those meals served to children who are eligible for free or reduced-price school meals. "Camps" are defined to include residential camps and nonresidential enrolled programs which serve four meals per day. In participating camps, the meal service may be operating concurrently with the Special Milk Program and also may be eligible for food distribution.

Although geared primarily to the summer school vacation period, meal services may also be provided under this program at other times of the year in communities where schools operate on a continuous school calendar basis (October through April).

Experience with this program has demonstrated that meal service in outdoor and temporary situations creates special problems. Therefore, considerable management capability is necessary to plan, organize, direct, and control a large scale summer food service operation.

4. PROGRAM RESPONSIBILITIES. The Food and Nutrition Service, U. S. Department of Agriculture, through its seven regional offices, administers the Summer Food Service Program for Children at the Federal level. Within most states, the program is administered by State educational agencies. However, in some states the program is administered directly by the Food and Nutrition Service's regional office or by another State agency.

The sponsors are responsible for site operations. When a food service management company is contracted with to prepare and deliver meals for the sponsor, then the sponsor is responsible for ensuring that the company meets program requirements under Part 225 of the Federal Regulations. (March 1978)

Attachment 1 summarizes the responsibilities for operating the proram.

5. REGULATIONS, PUBLICATIONS AND PROGRAM GUIDANCE. The following regulations, publications and instructions provide guidelines for operation of the program:

Summer Food Program Regulations (7 CFR 225), March, 1978.

Food and Nutrition Service Publications:

Sponsor Handbook, Program Aid No. 1143

Site Supervisor Guide, Program Aid No. 1134

Monitoring Handbook

Administering Agency Handbook

Standard Sponsor Contiact-Food Service Management Company

Financial Management - Sponsors for Summer Programs
(FNS Instruction 796-4)

FNS Hearing Procedure Instruction

6. AUDIT OBJECTIVES. The objectives of the audit are:

a. To determine if the financial operations of the sponsor are properly conducted.

b. To determine whether costs claimed for Federal reimbursement under the program are reasonable, allowable, and allocable to the program; and to adjust the claim for all costs not supported or allocable to the program.

c. To prepare a report including an opinion as to whether the statement of claim for reimbursement presents fairly the reimbursement claimed for the Summer Feeding Program in conformity with prescribed accounting procedures and program guidelines.

d. To review the sponsor's operational system and report on noncompliance with the Summer Feeding Program regulations and guidelines.

The audit report will accompany the final claim for reimbursement when submitted by the sponsor to the State agency.

7. STANDARDS AND GUIDELINES FOR CONDUCTING AUDITS. The audit will be conducted according to the financial and compliance element of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General of the United States. The economy and efficiency, and the program results elements of the Standards are not required by this guide.

7.1 Audit Standards. The work of professional accountants and auditors is governed by: auditing standards and principles which control the procedures utilized; and the nature and extent of the evidence obtained during the audit. Audit standards are broad objectives and impartial rules established to set minimum requirements which must be met in any situation. They are also used to evaluate the quality of audit performance.

Attachment 2 is an extract from the audit standards established by the Comptroller General for application to audits of all government programs, including the Summer Food Service Program.

7.2 Quality Assessment Program. The Office of Audit has implemented procedures for evaluating audits made of USDA programs. Audits made by independent public accountants of the Summer Feeding Program are subject to a quality review to be made by the Office of Audit or an independent public accounting firm. State/legislative auditors may also make quality reviews on behalf of USDA. Whenever these reviews disclose significant inadequacies in the quality of audit work,

the independent public accountant will be contacted for corrective action. In those instances where inadequacies are not corrected, the matter will be submitted to the AICPA Professional Ethics Committee or the appropriate State regulatory agency.

Audits made by State and local audit organizations are subject to quality reviews by the Office of Audit, USDA.

7.3 Independence and Objectivity. To qualify to audit the Summer Food Service Program for Children, an auditor must be: (1) a Certified Public Accountant, or an audit firm whose principal officers are Certified Public Accountants; or (2) a public accountant licensed on or before December 31, 1970, currently certified or licensed by a regulatory authority of the State or other political subdivision of the United States; (3) State Auditor General, State Comptroller's Office, or a comparable State audit organization; or (4) local government audit organization.

The auditor must be totally independent with respect to the sponsor. No auditor will be recognized as independent by the U. S. Department of Agriculture who has or has had any financial or business involvement with the sponsor or its officials, or who has or has had any other relationship with them which might impair or appear to impair the auditor's independence. Since an independent mental attitude is a prerequisite to an objective audit, it is vital that the auditor determine that he or she is, in fact, independent before accepting the audit engagement.

7.4 Scope and Period of Audit. The audit will cover all of the sponsor's operations related to this program, including those operations immediately before and after the dates of the actual food service. The scope of the audit and the resulting report must meet the minimum requirements of this audit guide.

Reimbursement to the sponsor may be delayed or withheld if the audit does not conform to the requirements of the guide.

Attachment 4 is an example of a letter which describes the scope and conditions of the audit engagement.

7.5 Preparation for Audit. In view of the short length of time during which the summer program operates, it is incumbent upon the auditor to become thoroughly familiar with the nature of the program and its rules and requirements before summer. Since program funds are spent in a short period of time, such prior knowledge is necessary if the auditor is to present effective and timely reports.

7.6 Conferences with Client Officials.

a. Initial Conference. To help plan for the summer, the auditor must hold an initial conference with the sponsor's

officials at an early date before feeding begins. This meeting should also serve to secure part of the information for the required management letter described in 9.1.

b. Exit Conference. Before completing the audit, the auditor should hold an exit conference with the responsible officials of the client. The report—and in particular the findings regarding program compliance--should be discussed and the sponsor's comments secured for inclusion in the report.

8. REPORTING REQUIREMENTS. The auditor will issue a management letter (9.1) and a final audit report (8.1). Additional memoranda regarding audit observations may be issued to the sponsor when necessary during the summer.

8.1 Audit Report. The auditor will prepare a report (see Attachment 3) which will include as a minimum the following:

Accountant's Opinion on the Audited Statement of Claim for Reimbursement.

Audited Statement of Claim for Reimbursement - Exhibit A

Schedule of Meals Served and Cost of Meal Service - Exhibit B or C

Statement of Budgeted Administrative Expenses and Actual Expenses - Exhibit D

Statement of Maximum Allowable Administrative Costs - Exhibit D-1

Schedule of Disallowance Notices - Exhibit E

Summary of Compliance with Federal Regulations and Guidelines - Exhibit F

The report shall contain an opinion that the audited Statement of Claim for Reimbursement is a fair presentation of the amount of reimbursement that the sponsor is entitled to under the program. (See AICPA Codification of Statements on Auditing Standards, Section 411.) The auditor must make the appropriate adjustment in the report for any cost not supported or documented. For example, if site reports were not maintained for two days, the auditor must (1) disallow the amount claimed for those two days and make appropriate adjustments to the claim; and (2) clearly explain the reasons for adjustment in the audit report.

If the auditor cannot render an opinion, the reasons should be stated and clearly explained in the report.

The auditor should present narrative comments and recommendations on non-compliance with program regulations, along with the sponsor's comments, as a part of Exhibit F to the audit report.

NOTE: A sponsor may be fined up to $10,000 and sentenced up to five years in prison under 18 USC 287 for submitting a false claim under the program.

9. EVALUATION OF INTERNAL AND MANAGEMENT CONTROLS.

9.1 Management Letter. The auditor should advise the sponsor on whether or not the sponsor's internal controls and operating systems meet program regulatory requirements. This information shall be conveyed in a management letter to the sponsor within the first two weeks of program operations. Attachment 5 is an example of an acceptable management letter. To prepare for this letter, a study and evaluation of the accounting system and internal controls will be made according to generally accepted auditing standards. The study should determine whether:

a. The sponsor is able to segregate and accumulate those costs related to the program for which he or she is authorized to receive reimbursement; and whether the sponsor has adequate source documents to support such costs.

b. The sponsor has a system for obtaining and maintaining a weekly report from each food service site. This report should document the total number of children attending, the number of meals received or prepared, and the number of meals served to children daily. Failure to maintain a system of site reports constitutes a weakness in the sponsor's internal control which could subsequently result in the disallowance of the sponsor's Claim for Reimbursement.

c. The sponsor has procedures for reviewing and adjusting daily the number of meals delivered to its food service sites to avoid receiving excess meals.

d. The sponsor has a method to prepare monthly accounting summaries for each food service site. Its records should be able to document the number of meals received and served by type (e.g., breakfast, lunch, supper, supplement). Invoices for unitized meals from food service management companies should be broken down for each site to which deliveries will be made. The summaries should be recapitulated into an overall summary of meals served at all sites.

e. The sponsor maintains a file of authorized signatures to authenticate site reports, or some other means to establish the validity of the reports.

f. The sponsor has used competitive bid procedures and has formally advertised in a news media of wide general distribution for bids on all contracts for goods and services over $10,000 in aggregate, as outlined in 7 CFR Part 225.

g. The sponsor has signed these contracts under the guidelines of 7 CFR Part 225 and has a system of contract administration.

h. Any food service management company contracted by the client was induced by collusion to give up any part of payment entitled by the contract. The auditor should review available evidence for examples of improper sharing of proceeds of vendor contracts. Examples could include interest-free loans, allowance for cost of operations, volume or other discounts, and "kickback" payments.

9.2 Interim Audit Work. It is anticipated that the nature of summer feeding programs will require the auditor to perform certain steps in the audit program on an ongoing basis during the program. Auditing a summer feeding program after feeding operations have been concluded will normally be ineffective and will not fulfill the requirements of this audit guide.

The auditor should immediately inform the sponsor of deficiencies noted during interim audit work so the sponsor can initiate corrective measures. The auditor should make such suggestions in a written memorandum and place a copy in the audit workpapers.

The auditor will determine the impact of deficiencies and will assure that appropriate adjustments are incorporated into the Statement of Claims for Reimbursement and are clearly explained in the audit report.

During interim work, the auditor should, at a minimum, perform the following tests:

a. Adjustments of Deliveries. Review and evaluate operation of the system to adjust daily deliveries of meals to sites as a result of changing requirements. Failure to adjust deliveries to the number of children participating at the sites has been an inherent weakness with sponsors in past years. This procedure is an important element of flexible management control.

b. Sponsor's Monitoring of Site Operations.

(1) Determine that the sponsor has visited all sites within the first 5 operating days and reviewed all sites at least

once during the first 4 weeks of program operations; thereafter, the sponsor will maintain a reasonable level of site monitoring.

(2) Determine that all of the sponsor's sites have been approved in writing by the administering agency and that new sites added during the program have also been approved.

(3) Verify the site supervisor's report and accounting summary by cross-checking with the monitor's site report and accounting summary to ascertain whether ineligible meals are being included in the claim.

(4) Review telephone logs and other memoranda of communications between the sponsor and the site supervisor which may indicate deliveries of spoiled or incomplete meals. If such deliveries occur, the food costs should be deducted from the food service management company's invoices and the sponsor's claims.

(5) Validate authenticity of sample of site reports by comparing signatures of site supervisors to the file of authorized signatures or by other adequate means.

c. Procurement Contracts. Review and evaluate the sponsor's ongoing compliance with procurement provisions under CFR 225.

9.3 Site Visits by Auditor. The auditor shall visit a representative sample of sites selected on a random basis (or a statistical sampling of sites may be used) to determine compliance with program regulations. Guidelines to site supervisors for service of meals are found in the Site Supervisor Handbook Guide, Program Aid No. 1134.

Failure to comply with the guidelines should be reported to the client, with recommendations for corrective action. Failure to comply with the guidelines must be noted in the auditors report and the amount in violation must be deducted in the Audited Statement of Claim for Reimbursement.

10. AUDIT OF CLAIMS FOR REIMBURSEMENT. The review of the sponsor's statement of claim is the most important element of the audit of the Summer Food Service Program for Children. It is imperative that the auditor make appropriate adjustments to reflect any costs that are not reasonable, allowable, or properly allocable to the program.

10.1 Receipts - Program Funds. Any funds relating to the program that are received by the sponsor must be reported. The sponsor can receive, but is not limited to, funds from the following sources:

U. S. Department of Agriculture
State Department of Education
Adult meal payments
Donations
Interest Earned on Start-up and Advance Funds

a. Audit Objective. To determine that the sponsor has procedures that provide effective controls over cash received.

b. Audit Procedures.

(1) Determine that all program funds received have been reported on the sponsor's claim for reimbursement.

(2) Determine whether any income was earned on start-up and/or advance funds. If so, determine whether the interest was reported to the State agency and returned to USDA.

(3) Obtain or prepare a bank reconciliation on each of the sponsor's bank accounts pertaining to this program as of the program termination date.

(4) Confirm cash balances from depositories as of the end of the program.

10.2 Food Service to Children. Program payments are based upon the lesser of net program costs, or upon the maximum rate of reimbursement times the number of meals served. Therefore, determining the accuracy of meals served and claimed is vital to the audit of the claim.

a. Audit Objective. To determine whether meals the sponsor reported having been served to children were actually served. The sponsor's report should be supported by site reports, signed by the site supervisor, from all properly approved and operating food service sites.

b. Audit Procedures.

(1) Trace the number of meals claimed on the Claim for Reimbursement report to the sponsor's summary of meals served.

(2) Test the accuracy of the sponsor's summary of meals served by randomly selecting sites, determining whether:

(a) The meals listed as served to children in the sponsor's summary agree with those meals listed on the site's meal service report.

(b) The meals listed as received by the site are documented by a signed delivery receipt from the food caterer.

(c) The meals received by the site agree with those meals billed to the sponsor by the food caterer.

(d) The site meal service report is signed by the site supervisor.

(e) The site meal service report is complete with all required data.

(f) The number of meals listed as served reasonably corresponds to the number of children attending for a particular date (i.e., it would clearly not be reasonable if 100 lunches were served with only 60 children attending.)

10.3 Food Costs. This category includes all costs for meals purchased or the cost of food actually used. This may also include the cost of processing, distributing, transporting, storing or handling food used in the program.

a. Audit Objective. To determine that the sponsor has adequate supporting documentation for food costs reported by the sponsor on the Claim for Reimbursement.

b. Audit Procedures.

(1) Trace the cost of food reported on the Claim for Reimbursement to the sponsor's operating expense account for food purchases.

(2) Verify that the opening and closing inventories were considered in reporting the cost of food actually used.

(3) Verify the entries in the sponsor's operating expense account for food purchases by referring to vendor invoices and cancelled checks.

(4) Determine that cost of food purchases are net of returns, allowances for damaged food, and discounts.

(5) Determine that the sponsor has deducted the cost of USDA-donated commodities from the food cost stated on the claim. This applies to those sponsors who prepare meals on-site or use school food services.

10.4 Labor Costs. This category is limited to wages and fringe benefits incurred by the sponsoring agency for personnel involved in preparing and serving food and in the on-site supervision of the day-to-day food service operation.

a. Audit Objectives.

(1) To determine that the labor costs reported by the sponsor are adequately documented.

(2) To determine that the labor costs fall within the categories of preparation, service and supervision.

b. Audit Procedures.

(1) Trace the amount of labor costs reported on the Claim for Reimbursement to the sponsor's books and records and then to subsidiary payroll records.

(2) Determine that the labor costs reported by the sponsor are limited to wages and fringe benefits incurred in preparing and serving food and also in the on-site supervision of food service.

(3) Peform the following audit procedures for at least one payroll cycle.

(a) Verify footings and crossfootings of payroll sheets and summaries.

(b) Vouch hours of employment paid for to time records.

(c) Examine time records to determine that such records bear proper approval and signatures.

(d) Verify deductions for payroll taxes, using appropriate tax tables and employee's exemption certificate Form W-4.

(e) Compare to see if employee name and net pay on cancelled payroll checks match those on payroll sheet entries.

(f) List and determine the cause of any unclaimed payroll checks.

(4) Determine whether the labor costs include salaries that are properly chargeable to administrative costs. (See Section 10.7)

(5) Determine whether donated labor was charged as a labor cost.

10.5 Facility Costs. These are the costs of services other than labor that are required to operate a summer food service. This category includes costs incurred for renting food service preparation facilities and food service equipment, and also repair, maintenance and utiiity costs.

a. Audit Objectives. To determine that the facility costs claimed by the sponsor are adequately supported and that such costs benefit only this program.

b. Audit Procedures.

(1) Determine that the rental of building space and equipment is supported by executed leases, invoices and cancelled checks. (Rental of space for dining only, in an area which is not part of larger facility used for food preparation, is not an eligible cost.)

(2) Determine that the equipment rented is on a "rental" basis rather than a lease purchase basis (purchased equipment is not an eligible cost).

(3) Determine that other facility costs are adequately supported by an invoice and cancelled check.

10.6 Expendable Non-Food Supply Costs. This category includes items which are necessary in the food service operation such as straws, paper plates and disposable utensils.

a. Audit Objective. To determine that non-food supply costs reported by the sponsor on the Claim for Reimbursement are adequately supported.

b. Audit Procedures.

(1) Trace the cost of non-food supplies reported on the Claim for Reimbursement to the sponsor's operating expense account for non-food supply cost purchases.

(2) Verify that the opening and closing inventories were considered in reporting the cost of non-food supplies actually used.

(3) Verify the entries in the sponsor's operating expense account for non-food supply purchases by referring to vendor invoices and cancelled checks.

10.7 Administrative Costs. Allowable administrative costs are those costs incurred by a sponsor for planning, organizing and managing a food service under the program.

The sponsor is required to submit an administrative budget to the State agency. This budget is used in determining the amount of administrative funds to be advanced by the State agency.

a. Audit Objective.

(1) To determine that administrative costs claimed by the sponsor were incurred solely for program operations and are eligible for reimbursement.

(2) To determine whether such costs fall within the three categories of planning, organizing and managing the program.

b. Audit Procedures.

(1) Obtain or prepare a schedule of administrative costs claimed by the sponsor, by category of expense.

(2) Test the accuracy of administrative costs by referring to payrolls, invoices and cancelled checks.

(3) Perform the following audit procedures for at least one payroll cycle:

(a) Verify footings and crossfootings of payroll sheets and summaries.

(b) Vouch hours of employment paid for to time records.

(c) Examine time records to determine whether such records bear proper approval and signatures.

(d) Verify deductions for payroll taxes, using appropriate tax tables and employee's exemption certificate form W-4.

(e) Compare to see if employee name and net pay on cancelled payroll checks match those on payroll sheet entries.

(f) List and determine the cause of any unclaimed payroll checks.

(g) Review payroll records pertaining to other government grant programs to determine if officers or employees are receiving dual compensation for services. Obtain a certificate from a client official to include in work papers verifying whether officers and employees actually worked the time on the program for which they were paid.

(4) Determine that salaries claimed under administrative costs do not include amounts properly chargeable to operating labor costs.

(5) Determine that claims for mileage costs are properly supported by daily odometer readings and a listing of itineraries.

(6) Determine that the actual amounts paid for transportation are reimbursement only for transportation in the performance of work under the Summer Food Service Program for Children.

(7) Ascertain whether professional fees to be reimbursed by the Federal government are reasonably proportional to fees charged to other clients.

(8) Determine whether expenditures exist for items not eligible for reimbursement as listed in "Financial Management - Sponsors for Summer Program".

(9) Ascertain and report as a separate category of administrative expense any incentive awards to officers or employees.

(10) Prepare a schedule showing a comparison of budgeted administrative expense and actual administrative expense. Differences between budgeted and actual must be footnoted and explained on the schedule. See Exhibit D of Attachment 3.

RESPONSIBILITIES FOR OPERATING THE PROGRAM

Responsibilities

Food and Nutrition Service

The Food and Nutrition Service (FNS) administers the program at the Federal level. FNS responsibilities include:

* Developing and publishing program regulations which reflect the law and the intent of Congress.
* Allocating Federal funds for the programs within the States.
* Developing handbooks and other program materials for FNS regional offices, State agencies, and local sponsors.
* Providing overall program assistance to the FNS regional offices and State agencies.
* Reporting program accomplishments to the public and Congress.

Office of Audit

USDA's auditing agency, the Office of Audit (OA), conducts comprehensive fiscal and management audits of summer program operations. All participating sponsors' operations are subject to audit on a selected basis. OA reviews:

* Fiscal and management procedures to ensure compliance with program regulations.
* Site approval procedures, staffing patterns, and personnel training practices.
* Reimbursement claims to determine accuracy.
* Site records to ensure accuracy.
* Meals to determine if they meet nutritional requirements.
* Meal distribution procedures to ensure that all meals claimed are eligible for reimbursement.

Food and Nutrition Service (FNS) Regional Offices

The FNS regional offices provide technical and administrative assistance to State administering agencies to ensure that all program requirements are met. Regional offices' responsiblities include:

* Disseminating information from the national office to the State agencies.

* Assisting States in setting up food programs and training State personnel.

* Conducting reviews and evaluations of programs.

State Educational Agencies and FNS Regional Offices

Within most States, the State administering agencies are responsible for the administration of the program. In some States, the program is administered directly by the FNS regional office. The responsible agency does the following:

* Notifies all prospective sponsors of program requirements, including:

  1. Contract requirements
  2. Meal requirements
  3. Recordkeeping requirements
  4. Audit requirements

* Establishes deadlines for submission of applications.

* Visits, before approval, all new sponsor applicants and current sponsors which will receive more than $50,000 in program payments.

* Visits all new proposed non-school sites located in cities whose total public school enrollment exceeds 75,000.

* Reviews and approves sponsor applications and site information sheet:

  1. Reviewing geographic areas from which children will be drawn to prevent overlap of areas being reached.

  2. Assessing maximum number of meals to be served at each site and the maximum number of sites that the sponsor can effectively administer.

  3. Ensuring that school facilities are being used to the maximum extent feasible and that the appropriate health and sanitation agencies have been notified.

  4. Approving site applications for one meal per day, unless facilities are adequate and the meal services do not overlap.

* Executes program operating agreements with sponsors.

* Provides consultive, technical and managerial personnel to administer and monitor the program.

* Performs administrative reviews during the first four weeks of operations of 75 percent of non-school sites and 25 percent of school sites, of all sponsors which operate ten or more sites and which are located in cities whose total public school enrollment exceeds 75,000. This applies only to those State agencies which expect to receive more than $250,000 in State administrative funds.

* Ensures that accurate estimates are on file to justify advance payments and start-up funds.

* Documents the activity or food service to make sure it serves an area in which poor economic conditions exist.

* Performs administrative reviews during the first four weeks of operations. The reviews cover all sponsors and 15 percent of the sites of sponsors operating 10 or more sites, thereby helping sponsors to close deficient sites.

* Conducts ongoing monitoring of the sponsor's operation at the site level to review the adequacy of the meal service, food specifications, etc., and uses this information to adjust the final claim for reimbursement. In order to accomplish this, the State agency will use statistical sampling wherever practical or as required by FNS. The results of the sample will be used to ensure the overall performance of the sponsor and the validity of the final claim.

* Prepares and submits monthly reports to USDA.

* Develops a standard contract for use by sponsors and food service management companies.

The Sponsor

Sponsors must assume total financial and administrative responsibility for program operations at all sites where the food service program is conducted. Specifically, the sponsor must:

* Establish accounting practices under which it can report information required by program regulations.

* Provide for an audit of program operations if reimbursement under the program is to exceed $ 50,000. The audit must be made according to the provisions of this guide and the report

must clearly disclose any cost claimed that is not allowable or allocable to the program and cost that cannot be supported. Failure to provide an audit report that meets the requirements of the audit guide may result in the delay or withholding of reimbursement.

* Take immediate corrective action on all audit recommendations for improving the financial and operational systems and the system of internal control.

* Submit to the State agency or FNS regional office a sponsor application, a site information sheet for each site, and certification of non-profit status if the sponsor is a private institution. The sponsor must also submit written assurance that it will serve all meals free and make no discrimination against any child because of race, color, or national origin. A statement to this effect must be made available to the local news media.

* Prepare and submit a management plan if the sponsor operates 10 or more food service sites.

* Provide a regularly scheduled organized activity or food service for the children attending each site.

* Agree to maintain children on site during the food service.

* Certify that all food service sites have been visited and have the trained personnel and the facilities to serve meals to the number of children anticipated.

* Agree to hold training sessions on program duties and responsibilities for the staff and site personnel.

* Use competitive bid procedures and standard contracts in contracting with a food caterer when the contract will involve $10,000 or more and school food service facilities are not being used.

* Enter into a contract with a food management company or a written agreement with a school food authority when either is used as a caterer. This will ensure that they meet all program requirements.

* Provide adequate supervisory personnel for overall management and monitoring of the program according to program regulations, including visits to all sites during the first week of operation.

* Ensure that all meals served meet minimum meal requirements, including meal quality standards and food specifications provided by the State agency.

* Arrange for delivery and holding of meals in accordance with standards prescribed by the local health authorities until meals are served. If there are excess meals, the sponsor should arrange for proper storage until they are served.

* Establish procedures for making daily adjustments in the number of meals delivered to sites.

* Maintain accountability for all start-up funds (if available) and advance funds.

* Develop a system for regular submission of daily site records.

* Maintain complete and accurate records on the food service.

* File a reimbursement voucher each month that is based on supporting documentation.

* Operate the food service program according to the provisions of these regulations and any other instructions and handbooks issued by the Food and Nutrition Service or by your State agency.

* Prepare an administrative budget which can be reviewed by the State agency during the application process; start-up funds are based on this budget.

Site Personnel

Site personnel are responsible to the sponsor for all aspects of the food service operation to ensure compliance with program requirements. These personnel must:

* Attend training sessions which describe program objectives and requirements.

* Arrange for food service during bad weather.

* Count meals delivered before signing delivery invoices.

* Count meals served to eligible children and ensure that any meals served to adults are recorded properly.

* Adhere to local health and sanitation regulations.

* Organize a supervised system for serving meals to participating children.

* Make sure that:

1. Three hours elapse between breakfast and lunch and four hours between lunch and supper if no supplement is served.

2. Three hours elapse between the service of each supplement and breakfast, lunch, or supper.

3. The duration of the meal service shall be limited to two hours for lunch or supper and one hour for all other meals.

4. All meals are eaten on site.

The Food Service Management Company

Food service management companies are responsible for understanding program regulations. To fully understand the regulations, a company may have to contact the appropriate State agency or FNS regional office. To be able to participate in the program, food service management companies must be registered by the State. Food service management companies must enter into a written contract with the sponsor. Any sponsor contracting with a food service management company for $10,000 or more must use a competitive bid procedure in the selection of any such company. Any public sponsor must follow applicable State or local laws governing bid procedures. In addition to any applicable State or local laws, any public or private sponsor must adhere to requirements set forth in Section 225.1 of the Summer Food Service Program regulations:

1. The invitation to bid shall not specify a minimum price.

2. The invitation to bid shall contain a cycle menu upon which the bids shall be based.

3. The invitation to bid shall not specify special meal requirements to meet ethnic or religious needs unless it can be demonstrated that such special requirements are required by the children.

4. The invitation to bid shall not provide for loans to be made to sponsors by food service management companies.

5. Non-food items shall be excluded from the invitation to bid, except where such items are essential to the conduct of the food service.

6. A copy of the health certification shall be submitted by the food service management company with each bid.

7. The sponsor shall make available to the State agency, or FNSRO where applicable, the reason for selecting the food service management company.

The written contract between the sponsor and the food service management company must specify that:

1. The sponsor shall provide the food service management company with a list of approved food service sites and shall update the list as needed.

2. The food service management company shall maintain records (supported by invoices, receipts or other evidence) that the sponsor will need to meet its responsibilities under the program, and shall report thereon to the sponsor promptly at the end of each month, at a minimum.

3. The food service managment company shall have State or local health certification for the facility in which it is preparing meals for use in the program, and it shall ensure that all health and sanitation requirements are met at all times.

4. The books and records of the food service management company pertaining to the sponsor's food service operation shall be available for a period of 3 years from the date of submission of the final Claim for Reimbursement. These documents will be open for inspection and audit by representatives of (1) the State agency, (2) the U.S. Department of Agriculture, and (3) the United States General Accounting Office, at any reasonable time and place.

5. Unitized meals shall be delivered according to delivery schedules prescribed in the contract.

6. Increases and decreases in the number of meal orders may be made by the sponsor as needed within a period of prior notice mutually agreed upon.

7. No payment shall be made for meals that do not meet nutritional requirements, are spoiled or unwholesome at time of delivery, or do not otherwise meet the requirements of the contract.

8. All meals shall meet the requirements of Section 225.10 of program regulations.

9. Remedies for non-performance shall be stipulated in each contract.

The State agency, or, where applicable, the FNS regional office, may review and approve any contract between a sponsor and caterer.

SUMMARY OF GAO STANDARDS FOR AUDIT OF GOVERNMENTAL ORGANIZATIONS, PROGRAMS, ACTIVITIES, AND FUNCTIONS

General Standards

(1) The full scope of an audit of a governmental program, function, activity, or organization should encompass:

(a) An examination of financial transactions, accounts, and reports, including an evaluation of compliance with applicable laws and regulations.

(b) A review of efficiency and economy in the use of resources.

(c) A review to determine whether desired results are effectively achieved.

In determining the scope for a particular audit, responsible officials should give consideration to the needs of the potential users of the results of that audit.

(2) The auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required.

(3) In all matters relating to the audit work, the audit organization and the individual auditors shall maintain an independent attitude.

(4) Due professional care is to be used in conducting the audit and in preparing related reports.

Examination and Evaluation Standards

(1) Work is to be adequately planned.

(2) Assistants are to be properly supervised.

(3) A review is to be made of compliance with legal and regulatory requirements.

(4) An evaluation is to be made of the system of internal control to assess the extent it can be relied upon to insure accurate information, to insure compliance with laws and regulations, and to provide for efficient and effective operations.

(5) Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditor's opinions, judgments, conclusions, and recommendations.

Reporting Standards

(1) Written audit reports are to be submitted to the appropriate officials of the organizations requiring or arranging for the audits. Copies of the reports should be sent to other officials who may be responsible for taking action on audit findings and recommendations and to others responsible or authorized to receive such reports.

(2) Reports are to be issued on or before the dates specified by law, regulation, or other arrangement and, in any event, as promptly as possible so as to make the information available for timely use by management and by legislative officials.

(3) Each report shall:

(a) Be as concise as possible but, at the same time, clear and complete enough to be understood by the users.

(b) Present factual matter accurately, completely, and fairly.

(c) Present findings and conclusions objectively and in language as clear and simple as the subject matter permits.

(d) Include only factual information, findings, and conclusions that are adequately supported by enough evidence in the auditor's working papers to demonstrate or prove, when called upon, the basis for the matters reported and their correctness and reasonableness. Detailed supporting information should be included in the report to the extent necessary to make a convincing presentation.

(e) Include, when possible, the auditor's recommendations for actions to effect improvements in problem areas noted in the audit and to otherwise make improvements in operations. Information on underlying causes of problems reported should be included to assist in implementing or devising corrective actions.

(f) Place primary emphasis on improvement rather than on criticism of the past; critical comments should be presented in balanced perspective, recognizing any unusual difficulties or circumstances faced by the operating officials concerned.

(g) Identify and explain issues and questions needing further study and consideration by the auditor or others.

(h) Include recognition of noteworthy accomplishments, particularly when management improvements in one program or activity may be applicable elsewhere.

(i) Include recognition of the views of responsible officials of the organization, program, function, or activity audited on the auditor's findings, conclusions, and recommendations. Except where the possibility of fraud or other compelling reason may require different treatment, the auditor's tentative findings and conclusions should be reviewed with such officials. When possible, without undue delay, their views should be obtained in writing and objectively considered and presented in preparing the final report.

(j) Clearly explain the scope and objectives of the audit.

(k) State whether any significant pertinent information has been omitted because it is deemed privileged or confidential. The nature of such information should be described, and the law or other basis under which it is withheld should be stated.

(4) Each audit report containing financial reports shall:

(a) Contain an expression of the auditor's opinion as to whether the information in the financial reports is presented fairly in accordance with generally accepted accounting principles (or with other specified accounting principles applicable to the organization, program, function, or activity audited), applied on a basis consistent with that of the preceding reporting period. If the auditor cannot express an opinion, the reasons therefore should be stated in the audit report.

(b) Contain appropriate supplementary explanatory information about the contents of the financial reports as may be necessary for full and informative disclosure about the financial operations of the organization, program, function, or activity audited. Violations of legal or other regulatory requirements, including instances of non-compliance, and material changes in accounting policies and procedures, along with their effect on the financial reports, shall be explained in the audit report.

(Accountant's Letterhead)

Anytown Summer Food Program
100 Main Street
Anytown, U. S. A.

Dear Sir:

We have examined the Statement of Claim for Reimbursement of Agreement Number 1234-56 awarded to Anytown Summer Food Program, a sponsor under the 19__ Summer Food Service Program for Children, for the period June 27, 19__ to September 2, 19__. Our examination was made in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," issued by the Comptroller General of the United States, and the U.S. Department of Agriculture Audit Guide Number 8270.6 dated February 19__. It included tests of the accounting and program records, site visits, and such other auditing procedures as we considered necessary in the circumstances. 1/

The scope of our examination was limited to the financial and compliance element of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" and did not include the elements of economy and efficiency or program results.

The accompanying "Audited Statement of Claim" and supporting schedules sets forth a total $_____ of recommended cost adjustments. The final determination as to whether such costs are allowable under the program will be made by (name of State agency) and the Food and Nutrition Service, USDA. 2/

In our opinion, subject to the effects, if any, of the ultimate resolution of the recommended cost adjustment discussed in the preceeding paragraph, the accompanying "Audited Statement of Claim" presents fairly the amount of reimbursement that the sponsor is entitled to for the period June 27, 19__ to September 2, 19__.

We have also reviewed the sponsor's compliance with regulations as they apply to this program. Specific comments are presented in Exhibit F of this report.

This report is intended for use in connection with the program to which it refers and should not be used for any other purpose.

(Accountant's Signature)

1/ Here the auditor should add a paragraph explaining the nature and extent of site visits made. The auditor should also refer to the

compliance section of the report where he or she sets forth any operational deficiencies noted during site visits as well as corrective actions taken.

2/ The auditor must state in the report the amount of any adjustment recommended whether or not such adjustment is considered material. This applies to all reports, including those reports where an unqualified opinion is being rendered.

ATTACHMENT 3
EXHIBIT A

ANYTOWN SUMMER FOOD PROGRAM
Agreement Number 1234-56
1978 Summer Food Service Program for Children
Audited Statement of Claim
For the Period June 27, 19__ to September 2, 19__

Program Costs:		
Cost of meal service (Exhibit B)	$ 418,683	
Administrative costs (Exhibit D-1)	32,501	
Total Program Costs		$ 451,184
Program Funds Received		
Start-up funds	3,000	
Advance funds	10,000	
Claim for Reimbursement - June 1978	12,081	
Claim for Reimbursement - July 1978	258,839	
Other income (1)	-0-	
Total Program Funds Received		283,920
Program Funds Due from the State Department of Education		$ 167,264

(1) Any income which accrues to the program shall be included in the funds received.

ATTACHMENT 3
EXHIBIT B

(On Site Preparation)
ANYTOWN SUMMER FOOD PROGRAM
Agreement Number 1234-56
19__ Summer Food Service Program for Children
Schedule of Meals Served and Cost of Meal Service
For the Period June 27,___ to September 2, ___

Meals Served	Meal Type Breakfast	Lunch	Supplements	Supper	Total
June 27, ___ to June 30, ___	3,980	13,827	8,740	125	26,672
July 1, ___ to July 31, ___	64,873	217,284	101,283	1,050	384,490
August 1, ___ to September 2, ___	58,507	193,084	95,274	750	347,615
Totals of meals served as reported by Sponsor on Claims for Reimbursement	127,360	424,195	205,297	1,925	758,777
Less meals disallowed based upon meal violation notices received from the State Department of Education	(251)	(2,336)	(710)	(150)	(3,447)
Less meal adjustments made by auditor for sponsor program violations (Net of State Disallowance notices)	(116)	(9,217)	(501)	(210)	(10,044)
Net Meals Served	126,993	412,642	204,086	1,565	745,286

Cost of Meal Service - Maximum Rates

Net meals served	126,993	412,642	204,086	1,565	745,286
Cost per meal (maximum rate allowable by USDA minus administrative monies)	.475*	.855*	.2250*	.855*	
Cost of Meal Service	$ 60,322	$ 352,809	$ 45,919	$ 1,338	$ 460,388

Cost of Meal Service - Actual on Site

Food	$382,873
Less meals disallowed by State or adjusted by auditor 1/	7,690
Net food Cost	375,183
Labor	31,063
Facility	10,323
Non-Food	2,114
Cost of Meal Service	$418,683

*Rates may be adjusted by new regulations.

1/ Food cost must be adjusted by the auditor to reflect all meals disallowed. For the purpose of this schedule, we used the 13,491 meals disallowed multiplied by the sponsors average meal cost of $.57.

ATTACHMENT 3
EXHIBIT C

(Contracted Food Service)
ANYTOWN SUMMER FOOD PROGRAM
Agreement Number 1234-56
19__ Summer Food Service Program for Children
Schedule of Meals Served and Cost of Meal Service
For the Period June 27,____ to September 2, ____

Meals Served	Meal Type Breakfast	Lunch	Supplements	Supper	Total
June 27, ____ to June 30, ____	3,980	13,827	8,740	125	26,672
July 1, ____ to July 31, ____	64,873	217,284	101,283	1,050	384,490
August 1, ____ to September 2, ____	58,507	193,084	95,274	750	347,615
Totals of meals served as reported by Sponsor on Claims for Reimbursement	127,360	424,195	205,297	1,925	758,777
Less meals disallowed based upon meal violation notices received from the State Department of Education	(251)	(2,336)	(710)	(150)	(3,447)
Less meal adjustments made by auditor for sponsor program violations (Net of State Disallowance notices)	(116)	(9,217)	(501)	(210)	(10,044)
Net Meals Served	126,993	412,642	204,086	1,565	745,286

Cost of Meal Service - Maximum Rates

Net meals served	126,993	412,642	204,086	1,565	745,286
Cost per meal (maximum rate allowable by USDA minus administrative monies)	.475*	.855*	.2250*	.855*	
Cost of Meal Service	$60,322	$352,809	$45,919	$1,338	$460,388

Cost of Meal Service - Food Service Management Companies Invoice

	Cost Per Meal	Meals Served	Total
Breakfast	$.46	126,993	$ 58,417
Lunch	.77	412,642	317,734
Supplements	.2025	204,086	41,327
Supper	.77	1,565	1,205
Cost of Meal Service			$418,683

*Rates subject to change per new regulations.

ATTACHMENT 3
EXHIBIT D

ANYTOWN SUMMER FOOD PROGRAM
Agreement Number 1234-56
19__ Summer Food Service Program for Children
Statement of Budgeted Administrative Expenses
and Actual Administrative Expenses

	Budgeted	Amt. Claimed by Sponsor	Adjustments	Actual	Over (under) Budget
Management Salaries	$ 5,600	$ 5,600	$(400) 1/	$ 5,200	$(400)
Monitors Salaries	9,700	9,604	-	9,604	(96)
Clerical Salaries	5,100	5,250	-	5,250	150 2/
Fringe Benefits	1,800	1,896	-	1,896	96 3/
Total Personnel Cost	$22,200	$22,350	$(400)	$21,950	$(250)
Transportation	3,200	2,575	300 4/	2,875	(325)
Communication	2,000	1,738	100 5/	1,838	(162)
Office Rental	2,600	2,560	-	2,560	(40)
Office Supplies	400	387	-	387	(13)
Office Equipment Rental	1,400	1,412	-	1,412	12 6/
Auditing Fees	1,000	1,000	-	1,000	-
Other Program Cost	500	479	-	479	(21)
Total Non-Personnel	11,100	10,151	400	10,551	(549)
Total Administrative Cost	$33,300	$32,501	$ -	$32,501	$(799)

1/ Management salaries improperly charged.

2/ Employed a temporary employee for one week because of emergency sick leave.

3/ State Legislation increased the employers' share of benefit cost.

4/ Transportation expense understated by sponsor.

5/ Communication expense understated by sponsor.

6/ Program required rental of a copy machine.

ANYTOWN SUMMER FOOD PROGRAM
Agreement Number 1234-56
19__ Summer Food Service Program for Children
Calculation of Maximum Allowable Administrative Costs
For the Period June 27, 19__ to September 2, 19__

Calculation of Maximum Allowable Administrative Costs:

Meal Type	Net Meals Served Per EXHIBIT B	Administrative Rate Per Meal	Computed Administrative Cost
Breakfast	126,993	$.0350	$ 4,445
Lunch	412,642	.0675	27,853
Supplements	204,086	.0175	3,572
Supper	1,565	.0675	106
Maximum allowable administrative costs			$35,976
Administrative costs claimed by sponsor			32,501
Excess Administrative Costs Over Maximum Allowable			$ -0-

ANYTOWN SUMMER FOOD PROGRAM
Agreement Number 1234-56
19__ Summer Food Service Program for Children
Schedule of State Disallowance Notices

The State agency issued disallowance notices to the sponsor, Anytown Summer Food Program, as follows:

DATE	SITE	MEAL	NO. DISALLOWED
7/5	Penny Street	Lunch	816
7/7	Grace Church	Supplement	710
7/12	Pine Street	Breakfast	251
7/20	Grove Street	Supper	150
8/3	Camden Hall	Lunch	414
8/17	Pine Street	Lunch	731
8/18	Lakeside Elementary	Lunch	375
		Total Meals Disallowed	3,447

Breakfast	Lunch	Supplement	Supper		
251	2,336	710	150	=	3,447

ANYTOWN SUMMER FOOD PROGRAM
Agreement Number 1234-56
19__ Summer Food Service Program for Children
Summary of Compliance with Federal Regulations
and Program Guidelines
For the Period June 27, ____ to September 2, ____

GENERAL

The Anytown Summer Food Program was approved by the State of _____ to sponsor the Summer Food Service Program for Children by Agreement Number 1234-56, dated June 1, ____. The purpose of the program was to provide nutritional help to children who would otherwise be deprived of the food assistance they would normally receive at other times of the year under the National School Lunch Program. Food was served to children at sites organized and operated by Anytown Summer Food Program in areas in which poor economic conditions existed.

SCOPE

Our examination was made in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," issued by the Comptroller General of the United States, and the USDA audit guide for the Summer Feeding Program and accordingly included tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

The scope of our examination was limited to the financial and compliance element of the Comptroller General's standards and did not include the elements of economy and efficiency or program results.

As a part of our examination, we performed tests in accordance with the compliance testing procedures as set forth in the U.S. Department of Agriculture Audit Guide Number 8270.6, dated February 1978.

EXIT CONFERENCE

An exit conference was held at Anytown Summer Food Program, 100 Main Street, Anytown, USA, on October 10, ____. Attending were:

For the Sponsor

(Name, Title)

For the Certified Public Accountant

(Name)

AUDIT OBJECTIVES

The following were the principle objectives of our audit:

1. To evaluate the system of internal controls to assure integrity of accounting records and compliance with program regulations.

2. To determine that the sponsor complied with procurement provisions of the program regulations.

3. To determine that procedures provided effective controls over cash received.

4. To determine that meals reported by the sponsor as served to children are supported by site reports from all properly approved and operating food service sites, signed by the site supervisor.

5. To determine that documentation was adequate to support all food costs reported on the claims for reimbursement.

6. To determine that labor costs were adequately documented.

7. To determine that administrative costs were incurred solely for program operations and were eligible for reimbursement.

INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

The objective of internal accounting and administrative controls is to provide reasonable, but not absolute, assurance as to (1) accuracy of records for preparation of financial reports, and (2) compliance with regulations and guidelines.

In our opinion, the internal accounting and administrative control procedures were in general agreement with procedures prescribed in Federal Regulations and the Department of Agriculture guidelines except as follows:

Anytown Summer Food Program

1. Finding

   Recommendation:

   Sponsor's Comment:

   Impact on Claim:

(Additional findings used same format.)

(Accountant's Signature)

SAMPLE ENGAGEMENT LETTER

Dear Mr. _____:

This letter will confirm the verbal understanding as to our examination of your claim for Federal reimbursement for your Summer 19__ operations under the Summer Food Service Program for Children.

Our examination will be conducted in accordance with standards developed by the U.S. General Accounting Office for audits of Governmental programs, and the USDA Office of Audit audit guide. The examination will include:

1. A determination whether costs claimed for reimbursement are reasonable, allowable and allocable to the program. Where appropriate, we will make adjustments to costs claimed.

2. A study and evaluation of the system of internal control.

3. A determination that you have an operational system to assure compliance with program regulations and guidelines.

4. The preparation of an audit report suitable for submission with your final claim for reimbursement.

We will prepare a management letter on our evaluation of your system of internal control. The letter will be submitted to you within two weeks after the program commences. Recommendations and observations concerning the system of internal control will be stated at that time.

Our examination will evaluate the fairness of your claims for Federal reimbursement, but it is not designed to uncover fraud or misappropriation of funds, although if such irregularities do exist, the examination may disclose them.

Our fees for this examination will be contingent upon the actual man-hours spent by our staff members at the going rates for comparable services, as shown below:

	RANGE	
	FROM	TO
Junior Accountants	$_____	_____
Semi-senior Accountants	_____	_____
Managers	_____	_____
Principles	_____	_____
Junior Partners	_____	_____
Senior Partners	_____	_____

Reasonable expenses incurred by us in the performance of the audit including, but not limited to travel, typing, postage, printing, etc., shall be billed to you.

In order for us to work as efficiently as possible, it is understood that your staff will maintain the basic accounting records, including site supervisor reports, summary of site reports, and documentation to support administrative expenses.

It is also understood that for a period of three years after the audit, the workpapers of our auditing firm will be made available for Quality Peer Reviews by the U.S. Department of Agriculture.

Our examination shall be completed and our report submitted to you by _____ 1978.

Sincerely,

Smith & Smith Co.

Accepted by _____

Date _____

ATTACHMENT 5

(must be submitted within two weeks after commencement of program)

SAMPLE MANAGEMENT LETTER

Anytown Summer Food Program
100 Main Street
Anytown, USA

Dear _____:

A study and evaluation of your summer program's accounting system and internal controls have been made in accordance with generally accepted auditing standards and audit guidelines prescribed in the USDA audit guide No. 8270.6, dated February 1978.

In our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed by the Summer Food Service Program Regulations and the requirements of section 9.1 of the U.S. Department of Agriculture's Audit Guide for the Summer Food Service Program for Children, dated February 1978, except as follows:

Sincerely,

Smith and Smith Co.

Accepted by _____

Date _____

DIRECTORY OF OA REGIONAL OFFICES AND RESPONSIBLE TERRITORIES

Regional Director Northeast Region U.S. Department of Agriculture Room 422 Federal Building Hyattsville, Maryland 20782 Telephone: A/C 301/436-8763	Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, Puerto Rico, and the Virgin Islands
Regional Director Southeast Region U.S. Department of Agriculture Rm. 900, 1447 Peachtree St., N.E. Atlanta, Georgia 30309 Telephone: A/C 404/257-3675	Kentucky, South Carolina, North Carolina, Florida, Georgia, Alabama, Tennessee, and Mississippi
Regional Director Midwest Region U.S. Department of Agriculture 1 North Wacker Drive, Room 800 Chicago, Illinois 60606 Telephone: A/C 312/353-1352	Illinois, Indiana, Michigan, Ohio, Wisconsin, and Minnesota
Regional Director Southwest Region U.S. Department of Agriculture Federal Building 101 S. Main St., Room 324 Temple, Texas 76501 Telephone: A/C 817/736-1311	Louisiana, Texas, Oklahoma, New Mexico, and Arkansas
Regional Director Great Plains Region U.S. Department of Agriculture P. O. Box 205 Kansas City, Missouri 64141 Telephone: A/C 816/926-6617	Missouri, Kansas, Nebraska, Iowa, Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming
Regional Director Western Region U.S. Department of Agriculture Room 522, 555 Battery Street San Francisco, California 94111 Telephone: A/C 415/556-4244	California, Idaho, Nevada, Arizona, Oregon, Hawaii, Alaska, Washington, Trust Territories of the Pacific, and Territory of Guam

DIRECTORY OF FNS REGIONAL OFFICES AND RESPONSIBLE TERRITORIES

New England Regional Office, FNS U.S. Department of Agriculture 34 Third Avenue Burlington, Massachusetts 01803 617/223-0681	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
Mid-Atlantic Regional Office, FNS U.S. Department of Agriculture One Vahlsing Center Robbinsville, New Jersey 08691 609/349-9000 x284	Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, West Virginia, Virginia, Puerto Rico, and the Virgin Islands
Southeast Regional Office, FNS U.S. Department of Agriculture 1100 Spring Street, N.W. Atlanta, Georgia 30309 404/257-4911	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee
Midwest Regional Office, FNS U.S. Department of Agriculture 536 South Clark Street Chicago, Illinois 60605 217/353-6664	Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin
Southwest Regional Office, FNS U.S. Department of Agriculture 1101 Commerce Street Dallas, Texas 75202 512/749-2391	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
Western Regional Office, FNS U.S. Department of Agriculture 550 Kearny Street San Francisco, California 94108 714/556-4939	Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, American Samoa, Guam, and Trust Territories
Mountain Plains Regional Office, FNS U.S. Department of Agriculture 2420 West 26th Avenue Denver, Colorado 80211 303/327-5339	Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, and Wyoming

* U. S. GOVERNMENT PRINTING OFFICE : 1978 730-303/3402